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## OFFICE OF CURRENT INTELLIGENCE CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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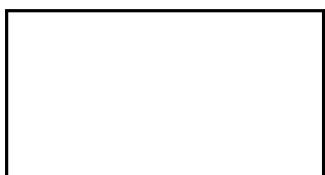
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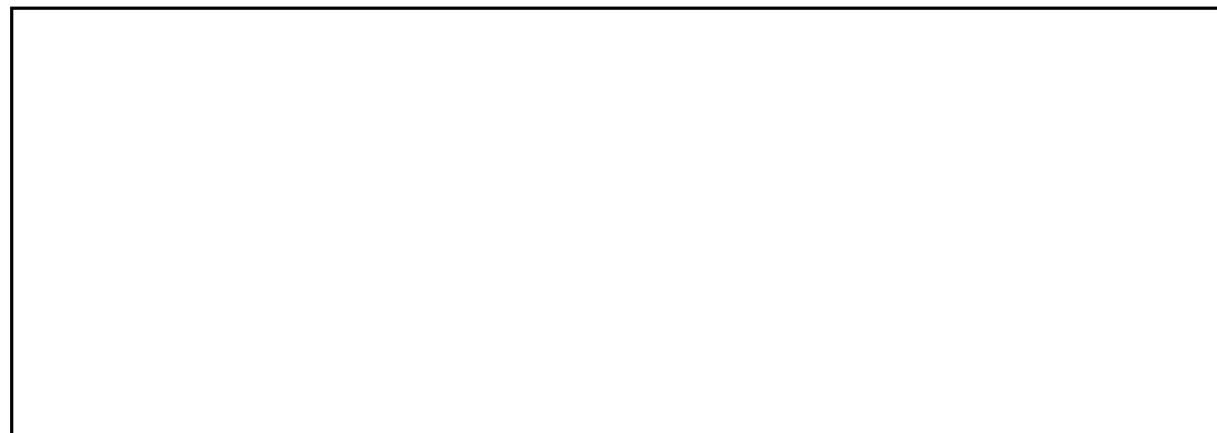
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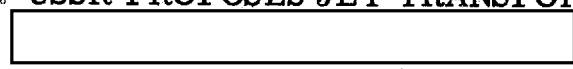
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*ok* 6. SOVIET OFFER OF ECONOMIC AID FAVORABLY RECEIVED  
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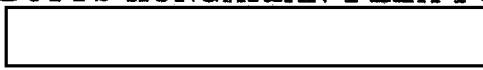
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2. PHAO PLANS TO RELINQUISH THAI  
INTERIOR MINISTRY

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General Phao

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September. [redacted] he would also resign as secretary general of the government Seri-Manangkhasila party but would remain indefinitely as director general of the police. [redacted]

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Comment

Phao's withdrawal from the cabinet would leave both of the leading rivals in the ruling clique without ministerial portfolios. Marshal Sarit, army commander in chief, recently resigned as defense minister. This arrangement will presumably be satisfactory to Sarit, who has long been seeking to remove Phao from the cabinet and reportedly took the defense portfolio last march only to match Phao's position.

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## 6. SOVIET OFFER OF ECONOMIC AID FAVORABLY RECEIVED BY SUDAN

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[Redacted]

The Sudanese prime minister has described as a "step forward" a Soviet offer to provide the Sudan with large-scale economic assistance and to purchase surplus Sudanese cotton. The Soviet offer is well timed to take advantage of the Sudan's exceptionally slow cotton sales. Additionally, the pro-Western government faces elections in February 1958 and cannot afford to dismiss any offer promising to reduce its economic problems.

The USSR proposes to aid in the construction of industrial enterprises, provide the Sudan with necessary equipment, train Sudanese experts, and undertake a geological survey. The broad scope of economic assistance proposed, together with an offer to relieve the Sudan of some of its growing cotton surplus, follows the pattern of the Soviet economic offensive in other underdeveloped countries.

The Soviet bloc hitherto has been unsuccessful in promoting economic ties with the Sudan. The only bloc technical assistance mission--an East German water survey group--produced no results and was requested to terminate its activities.

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## 7. USSR PROPOSES JET TRANSPORT FLIGHT TO NEW YORK

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[Redacted]

The USSR requested on 21 August that necessary arrangements be made for flights by two TU-104 twin-engine jet aircraft to New York in September to transport the Soviet delegation to the United Nations General Assembly.

**Comment** A Soviet Foreign Ministry official in Moscow implied on two occasions this summer that flights to support the American mission in Moscow would be cut off if a Soviet request for similar privileges were denied.

These flights may be intended as a test operation prior to a request for negotiating an exchange of air rights. The USSR may also be looking toward the propaganda value of using the CAMEL (TU-104) in these flights.

Previous Soviet statements had indicated that trans-Atlantic flights would not be attempted until four-engine transports were available.

8. CEYLON REBUFFS HUNGARIAN PLEA FOR SUPPORT  
IN UN DEBATE

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Ceylonese Premier Bandaranaike on 20 August told a Hungarian mission seeking Ceylon's support against discussion of Hungary at the forthcoming UN session.

that Budapest should "welcome" discussion of the report. He also remarked that Hungarian opposition to a discussion would prejudice world public opinion against Hungary. He rejected the delegation's criticism of R. S. S. Gunewardene, Ceylon's member of the special committee which prepared the report on Hungary, and asserted that Gunewardene had acted as a restraining influence on the committee.

A Ceylonese Foreign Ministry official also told the American charge that Ceylon would not in any way repudiate Gunewardene's part in the report. He made it clear, however, that Ceylon would not support "extreme measures" which might lead to a withdrawal of the USSR from the UN.

Comment

The special mission sent to South Asia as part of the Kadar regime's attempt to gain support in barring or softening UN action on Hungary has had little success to date. On 18 August, while the mission was in India, a Budapest communiqué attributed to Nehru a declaration disapproving the inclusion of the Hungarian question on the General Assembly agenda. On 21 August, however, Indian Defense Minister V. K. Krishna Menon declared publicly that India "will not and cannot object" to discussion of the report by the General Assembly.

The Hungarian mission reportedly plans to visit Indonesia and possibly other Asian countries.

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## 9. SINGAPORE GOVERNMENT ARRESTS PRO-COMMUNIST LEADERS

### Comment on:

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The recent emergence of the pro-Communists as the dominant faction in Singapore's influential People's Action Party (PAP) apparently triggered the 22 August arrest for subversive activities of 35 leftist politicians and labor leaders, including five newly elected officers of the party. The move is designed primarily to destroy the influence of those leftist leaders who were not arrested during Chief Minister Lim's antisubversive campaign of last October.

A corollary motive for the government's action may be to facilitate the return to positions of leadership of the recently deposed PAP "moderates," headed by former secretary general Lee Kuan Yew. If Lee, who has been co-operating with Lim for the past several months, is successful in regaining control of the party, the probable result would be close Labor Front-PAP cooperation in the forthcoming city council and legislative assembly elections.

The Communists may react with strikes, demonstrations, and riots. They are, however, more likely to instigate an intensive propaganda campaign to gain public sympathy and support against the "undemocratic" actions of the government.